

InstructionsArticles of Association

General Instructions

The OCC recommends that the Articles of Association (articles) and any subsequent amendments be executed in duplicate. One should be retained as an original document at the bank. The other should be forward to the OCC for its retention.

The paragraphs marked with an asterisk (*) in the sample document are optional.

Unless the organizers have a good reason to deviate from the OCC's sample articles, they should use the sample document. Justification should be provided for any changes in the sample articles. The organizers should tailor the articles for special purpose banks or banks with a special focus, as appropriate.

Adoption Procedures

1. (Charters) At the first meeting of the organizers, the organizers execute the articles in duplicate.

(Conversions) The board of directors of the converting institution executes the articles in duplicate.
2. The organizers may include additional articles provided they are not contrary to law.
3. The organizers submit a signed original of the articles to the Licensing staff in the appropriate district office and retain the other signed original for the bank's records.
4. The OCC will maintain its original in the bank's corporate history file in Washington, DC.

Amendment Procedures for an Existing National Bank

1. Whenever changes occur in the Articles of Association at a shareholders' meeting, the secretary of the board forwards the amendment with a corporate resolution certifying action by the shareholders to the Licensing staff in the appropriate district office.
2. When acknowledged, the OCC's Licensing staff maintains its original in the bank's corporate history file in Washington, DC.

Specific Requirements

1. The name of the association must include the word "National." If the word "Association" is used in the name, it must be spelled out completely. (12 USC 22, 30) (See the Branch and Trade Names discussion in the "General Policies and Procedures" booklet.)
2. In most cases, the location should include a city/town/village, county, and state name. A street name should not be given. The location should be the same as that originally proposed and approved by the OCC. (12 USC 22, 30, 81)
3. Appropriate limitations on operations or services (e.g., bankers' banks, trust companies, CEBA credit d banks) should be consistent with the preliminary approval letter or subsequent correspondence. (12 USC 27, 92a, 1841(c)(2)(d) or (f))
4. Directors should number no less than five or no more than twenty-five. Information about qualifying shares and vacancies should be included. For a bankers' bank, information about replacing participating banks should be included. (12 USC 27(b), 71a, 72, 74)
5. The annual shareholders' meeting and the election of directors should be discussed. (12 USC 71)
6. There should be a discussion of all types and classes of the bank's capital stock. (12 USC 51, 51a, 51b, 52, 57, 59)
 - c The par value of the stock should equal the amount that was approved by the OCC.
 - c The authorized number of shares should equal the amount proposed by the bank and approved by the OCC.
 - c The shareholder preemptive rights discussion should follow the sample. (12 CFR 7.2021)
 - c If included, the issuance of subordinated debt discussion should follow the sample.
 - c For bankers' banks only: Banks should be limited in selling stock to entities other than depository institutions or their holding companies.
7. The articles must include the requirement that the president be a member of

the board and discuss the board's powers, including its ability to appoint management. (12 USC 24(5), 76)

8. The location of the main office and the establishment of branches should be discussed. (12 USC 30, 36)
9. The corporate existence of the association should be mentioned. (12 USC 24(2))
10. The ability to call special meetings of the shareholders should be discussed. (12 USC 57, 59, 75, 181, 214a, 215, 215a)
11. Indemnity agreements should be consistent with 12 CFR 7.2014. If the payment of insurance premiums is included, the article should explicitly exclude coverage of liability for a formal order assessing civil money penalties against a director or employee.
12. National banking laws and regulations prohibit the adoption of certain anti-takeover and super-majority voting requirements that conflict with statutes and/or regulations specifying percentages of shareholder and director affirmative votes required to approve certain transactions. The OCC will evaluate all anti-takeover and super-majority voting requirements individually for consistency with legal, regulatory, policy, and supervisory considerations.
13. At least five persons, all of whom signed the original application, must sign the articles.

Articles of Association

For the purpose of organizing an association to perform any lawful activities of national banks, the undersigned enter into the following Articles of Association:

FIRST. The title of this association shall be _____.

SECOND. The main office of the association shall be located in _____ County of _____ and State of _____.

[For a full service national bank] The general business of the association shall be conducted at its main office and its branches.

[For limited and special purpose banks, use one of the following three paragraphs]

1. [For a national trust bank] The business of the association will be limited to the fiduciary powers and the support of activities incidental to the exercise of those powers (full or limited).
2. [For a CEBA credit d bank] The business of the association will be limited to those activities specified in the Competitive Equality Banking Act of 1987. Specifically the association will:
 - C Engage only in credit d operations.
 - C Not accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties or others.
 - C Not accept any savings or time deposits of less than \$100,000. Or [if applicable] not accept any savings or time deposits of less than \$100,000, except deposits pledged by the association as collateral for extensions of credit.
 - C Maintain only one office that accepts deposits.
 - C Not engage in the business of making commercial loans.
3. [For a bankers' bank] The association shall conduct the general business of banking; provided, however, that it shall engage exclusively in providing services for other depository institutions, their holding companies, and their officers, directors, and employees.

[For limited and special purpose banks] The association may not expand or alter its business beyond that stated in this article without the prior approval of the Comptroller of the Currency.

THIRD. The board of directors of this association shall consist of not less than five nor more than twenty-five persons, the exact number to be fixed and determined from time to time by resolution of a majority of the full board of directors or by resolution of a majority of the shareholders at any annual or special meeting thereof. Each director shall own common or preferred stock of the association or of a holding company owning the association, with either an aggregate par, fair market, or equity

value of \$1,000. Determination of these values may be based as of either (i) the date of purchase, or (ii) the date the person became a director, whichever value is greater. Any combination of common or preferred stock of the association or holding company may be used.

Any vacancy in the board of directors may be filled by action of a majority of the remaining directors between meetings of shareholders. The board of directors may not increase the number of directors between meetings of shareholders to a number which: (1) exceeds by more than two the number of directors last elected by shareholders when the number was 15 or less; or (2) exceeds by more than four the number of directors last elected by shareholders where the number was 16 or more, but in no event shall the number of directors exceed 25.

Terms of directors, including directors selected to fill vacancies, shall expire at the next regular meeting of shareholders at which directors are elected, unless they resign or are removed from office.

Despite the expiration of a director's term, the director shall continue to serve until his or her successor is elected and qualifies or until there is a decrease in the number of directors and his or her position is eliminated.

Honorary or advisory members of the board of directors, without voting power or power of final decision in matters concerning the business of the association, may be appointed by resolution of a majority of the full board of directors, or by resolution of shareholders at any annual or special meeting. Honorary or advisory directors shall not be counted to determine the number of directors of the association or the presence of a quorum for any board action, and shall not be required to own qualifying shares.

FOURTH. There shall be an annual meeting of the shareholders to elect directors and transact whatever other business may be brought before the meeting. It shall be held at the main office or any other convenient place the board of directors may designate, on the day of each year specified therefore in the Bylaws, or if that day falls on a legal holiday in the state in which the association is located, on the next following banking day. If no election is held on the day fixed or in the event of a legal holiday on the following banking day, an election may be held on any subsequent day within 60 days of the day fixed, to be designated by the board of directors, or, if the directors fail to fix the day, by shareholders representing two-thirds of the shares issued and outstanding. In all cases at least 10 days advance notice of the meeting shall be given to the shareholders by first class mail.

In all elections of directors, the number of votes cast by each common shareholder will be determined by multiplying the number of shares he or she owns by the number of directors to be elected. Those votes may be cumulated and cast for a single candidate or may be distributed among two or more candidates in the manner selected by the shareholder. If, after the first ballot, subsequent ballots are necessary to elect directors, a shareholder may not vote shares that he or she has already fully cumulated and voted in favor of a successful candidate. On all other questions, each common shareholder shall be entitled to one vote for each share of stock held by him or her. If the issuance of preferred stock with voting rights has been authorized by a vote of shareholders owning a majority of the common stock of the association, preferred shareholders (will/will not) have cumulative voting rights and (will/will not) be included within the same class as common shareholders, to elect directors.

* Nominations for election to the board of directors may be made by the board of directors or by any stockholder of any outstanding class of capital stock of the association entitled to vote for election of directors. Nominations other than those made by or on behalf of the existing management shall be made in writing and be delivered or mailed to the president of the association no less than 14 days nor more than 50 days prior to any meeting of shareholders called for the election of directors; provided, however, that if less than 21 days notice of the meeting is given to shareholders, such nominations shall be mailed or delivered to the president of the association no later than the close of business on the seventh day following the day on which notice of the meeting was mailed. Such notification shall contain the following information to the extent known to the notifying shareholder:

- (1) The name and address of each proposed nominee.
- (2) The principal occupation of each proposed nominee.
- (3) The total number of shares of capital stock of the association that will be voted for each proposed nominee.
- (4) The name and residence address of the notifying shareholder.
- (5) The number of shares of capital stock of the association owned by the notifying shareholder.

Nominations not made in accordance herewith may, in his/her discretion, be disregarded by the chairperson of the meeting, and the vote tellers may disregard all votes cast for each such nominee. No bylaw may unreasonably restrict the nomination of directors by shareholders.

A director may resign at any time by delivering written notice to the board of directors, its chairperson, or to the association, which resignation shall be effective when the notice is delivered unless the notice specifies a later effective date.

A director may be removed by shareholders at a meeting called to remove him or her, when notice of the meeting states that the purpose or one of the purposes is to remove him or her, if there is a failure to fulfill one of the affirmative requirements for qualification, or for cause, provided that, however, a director may not be removed if the number of votes sufficient to elect him or her under cumulative voting is voted against his or her removal.

FIFTH. The authorized amount of capital stock of this association shall be _____ shares of common stock of the par value of _____ dollars (\$_____) each (etc., for as many classes as there are of common stock); shares of class _____ perpetual preferred stock of the par value of _____ dollars (\$_____) each (etc., for as many classes as there are of perpetual preferred stock); but said capital stock may be increased or decreased from time to time, according to the provisions of the laws of the United States.

(Use one of the following three numbered sets of paragraphs or insert other lawful provisions for shareholders' preemptive rights.)

- * (1) If the capital stock is increased by the sale of additional shares of voting stock or interests convertible thereto, each holder of any class of voting stock shall be entitled to subscribe for such additional shares of voting stock or interests convertible thereto, in proportion to the percentage of shares he or she owns.

If the capital stock is increased by the sale of additional shares of stock with preferential distribution rights or interests convertible thereto, each holder of any class of stock with equal or inferior preferential distribution rights, but not including holders of shares without preferential distribution rights, shall be entitled to subscribe for such additional shares of stock with preferential distribution rights or interests convertible thereto, in proportion to the number of shares of stock owned at the time the increase is authorized by the shareholders, unless another time is specified in a resolution adopted by the shareholders at the time the increase is authorized.

Notwithstanding the foregoing, holders of stock shall not have any preemptive rights to purchase or subscribe for (i) shares issued as compensation to directors, officers, agents, or employees of the association, its subsidiaries, or affiliates; and (ii) shares issued to satisfy conversion or option rights created to provide compensation to directors, officers, agents, or employees of the association, its subsidiaries, or affiliates.

Shares subject to preemptive rights that are not acquired by shareholders may be issued to any person for one year after being offered to shareholders at a consideration set by the board of directors that is not lower than the consideration set for the exercise of preemptive rights. An offer at a lower consideration or after the expiration of one year is subject to the shareholders' preemptive rights.

- * (2) In the event of any increase in common stock of this association by the sale of additional shares, each shareholder shall be entitled to subscribe to such additional shares of common stock in proportion to the number of shares of common stock owned at the time the increase is authorized by the shareholders, unless another time subsequent to the date of the shareholders' meeting is specified in a resolution adopted by the shareholders at the time the increase is authorized, except that the holders of the common stock shall not have any preemptive rights to purchase or subscribe for any shares of common stock for all or any part of _____ shares of authorized but unissued common stock to be issued from time to time by this association to be used exclusively for the implementation of any employee compensation program (give exact name). The board of directors shall have the power to prescribe a reasonable period of time within which the preemptive rights to subscribe to the new shares of capital stock must be exercised.

- * (3) No holder of shares of the capital stock of any class of the association shall have any preemptive or preferential right of subscription to any shares of any class of stock of the association, whether now or hereafter authorized, or to any obligations convertible into stock of the association, issued, or sold, nor any right of subscription to any thereof other than such, if any, as the board of directors, in its discretion may from time to time determine and at such price as the board of directors may from time to time fix.

Unless otherwise specified in the Articles of Association or required by law, (1) all matters requiring shareholder action, including amendments to the Articles of Association must be approved by shareholders owning a majority voting interest in the outstanding voting stock, and (2) each shareholder shall be entitled to one vote per share.

Unless otherwise specified in the Articles of Association or required by law, all shares of voting stock shall be voted together as a class, on any matters requiring shareholder approval. If a proposed amendment would affect two or more classes or series in the same or a substantially similar way, all the classes or series so affected, must vote together as a single voting group on the proposed amendment.

The _____ shares of class _____ common stock, shares of class _____ common stock, [etc., for as many classes as there are of common stock] shall be subject to the following dividend, voting, liquidation, preemptive, conversion, assessment, and other rights. [Specify rights.]

Each class must have a distinguishing designation. In addition, there must be: (1) one or more classes of shares that together have unlimited voting rights, and (2) one or more classes of shares (which may or may not include any class or classes of shares with voting rights) that together are entitled to receive the net assets of the association upon dissolution.

The _____ shares of class _____ (preferred stock or perpetual preferred stock), shares of _____ class _____ (preferred stock or perpetual preferred stock), (etc., for as many classes as there are of preferred stock or perpetual preferred stock) shall be subject to the following dividend, liquidation, retirement, voting, preemptive, sinking fund, conversion, and other rights, provided that no such terms shall provide for payment, upon liquidation, of any premium over and above the par value plus any accumulated dividends on such preferred stock. [Specify rights.]

Shares of one class or series may be issued as a dividend for shares of the same class or series on a pro rata basis and without consideration. Shares of one class or series may be issued as share dividends for a different class or series of stock if approved by a majority of the votes entitled to be cast by the class or series to be issued, unless there are no outstanding shares of the class or series to be issued. Unless otherwise provided by the board of directors, the record date for determining shareholders entitled to a share dividend shall be the date authorized by the board of directors for the share dividend.

Unless otherwise provided in the Bylaws, the record date for determining shareholders entitled to notice of and to vote at any meeting is the close of business on the day before the first notice is mailed or otherwise sent to the shareholders, provided that in no event may a record date be more than 70 days before the meeting.

If a shareholder is entitled to fractional shares pursuant to preemptive rights, a stock dividend, consolidation or merger, reverse stock split or otherwise, the association may: (a) issue fractional shares; (b) in lieu of the issuance of fractional shares, issue script, or warrants entitling the holder to receive a full share upon surrendering enough script or warrants to equal a full share; © if there is an established and active market in the association's stock, make reasonable arrangements to allow the shareholder to realize a fair price through sale of the fraction, or purchase of the additional fraction required for a full share; (d) remit the cash equivalent of the fraction to the shareholder; or (e) sell full shares representing all the fractions at public auction or to the highest bidder after having solicited and received sealed bids from at least three licensed stock brokers; and distribute the proceeds pro rata to shareholders who otherwise would be entitled to the fractional shares. The holder of a fractional share is entitled to exercise the rights for shareholder, including the right to vote, to receive dividends, and to participate in the assets of the association upon liquidation, in proportion to the fractional interest. The holder of script or warrants is not entitled to any of these rights, unless the script or warrants explicitly provide for such rights. The script or warrants may be subject to such additional conditions as: (1) that the script or warrants will become void if not exchanged for full shares before a specified date; and (2) that the shares for which the script or warrants are exchangeable may be sold at the option of the association and the proceeds paid to scripsholders.

* The association, at any time and from time to time, may authorize and issue debt obligations, whether or not subordinated, without the approval of the shareholders. Obligations classified as debt, whether or not subordinated, which may be issued by the association without the approval of shareholders, do not carry voting rights on any issue, including an increase or decrease in the aggregate number of the securities, or the exchange or reclassification of all or part of securities into securities of another class or series.

SIXTH. The board of directors shall appoint one of its members president of this association, and one of its members chairperson of the board and shall have the power to appoint one or more vice presidents, a secretary who shall keep minutes of the directors' and shareholders' meetings and be responsible for authenticating the records of the association, and such other officers and employees as may be required to transact the business of this association. A duly appointed officer may appoint one or more officers or assistant officers if authorized by the board of directors according to the Bylaws.

The board of directors shall have the power to:

- (1) Define the duties of the officers, employees, and agents of the association.
- (2) Delegate the performance of its duties, but not the responsibility for its duties, to the officers, employees, and agents of the association.
- (3) Fix the compensation and enter into employment contracts with its officers and employees upon reasonable terms and conditions consistent with applicable law.
- (4) Dismiss officers and employees.
- (5) Require bonds from officers and employees and to fix the penalty thereof.
- (6) Ratify written policies authorized by the association's management or committees of the board.
- (7) Regulate the manner in which any increase or decrease of the capital of the association shall be made, provided that nothing herein shall restrict the power of shareholders to increase or decrease the capital of the association according to law, and nothing shall raise or lower from two-thirds the percentage required for shareholder approval to increase or reduce the capital.
- (8) Manage and administer the business and affairs of the association.
- (9) Adopt initial Bylaws, not inconsistent with law or the Articles of Association, for managing the business and regulating the affairs of the association.
- (10) Amend or repeal the Bylaws, except to the extent that the Articles of Association reserve this power in whole or in part to shareholders.
- (11) Make contracts.
- (12) Generally perform all acts that are legal for a board of directors to perform.

SEVENTH. The board of directors shall have the power to change the location of the main office to any authorized branch within the limits of (indicate only the city, town or village where the main office is located) without the approval of the shareholders, or with a vote of shareholders owning two-thirds of the stock of such association for a relocation outside such limits and upon receipt of a certificate of approval from the Comptroller of the Currency, to any other location within or outside the limits of (indicate the city, town or village where the main office is located), but not more than 30 miles beyond such limits. The board of directors shall have the power to establish or change the location of any branch or branches of the association to any other location permitted under applicable law, without approval of shareholders, subject to approval by the Comptroller of the Currency.

EIGHTH. The corporate existence of this association shall continue until termination according to the laws of the United States.

NINTH. The board of directors of this association, or any _____ or more shareholders owning, in the aggregate, not less than _____ percent of the stock of this association, may call a special meeting of shareholders at any time. Unless otherwise provided by the Bylaws or the laws of the United States, or waived by shareholders, a notice of the time, place, and purpose of every annual and special meeting of the shareholders shall be given by first-class mail, postage prepaid, mailed at least 10, and no more than 60, days prior to the date of the meeting to each shareholder of record at his/her address as shown upon the books of this association. Unless otherwise provided by the Bylaws, any action requiring approval of shareholders must be affected at a duly called annual or special meeting.

(If this special meeting language is not used, an alternative procedure for the calling of special meetings of shareholders should be provided.)

TENTH. The bank may make or agree to make indemnification payments to an institution-affiliated party, as defined at 12 USC 1813(u), for an administrative proceeding or civil action initiated by any federal banking agency, that are reasonable and consistent with the requirements of 12 USC 1828(k) and the implementing regulations thereunder.

The bank may indemnify an institution-affiliated party, as defined at 12 USC 1813(u), for damages and expenses, including the advancement of expenses and legal fees, in cases involving an administrative proceeding or civil action not initiated by a federal banking agency, in accordance with [insert the law of the state in which the main office of the bank is located, the law of the state in which the bank's holding company is incorporated, or the relevant provisions of the Model Business Corporation Act (1984, as amended 1994, and as amended thereafter), or Delaware General Corporation Law, Del. Code Ann. tit. 8 (1991, as amended 1994, and as amended thereafter)], provided such payments are consistent with safe and sound banking practices.

ELEVENTH. These Articles of Association may be amended at any regular or special meeting of the shareholders by the affirmative vote of the holders of a majority of the stock of this association, unless the vote of the holders of a greater amount of stock is required by law, and in that case by the vote of the holders of such greater amount. The association's board of directors may propose one or more amendments to the Articles of Association for submission to the shareholders.

In witness whereof, we have hereunto set our hands this _____ of

_____, _____.
